

## **PREPARING THE APPLICATION BUDGET: WHAT COSTS CANNOT BE COVERED BY THE GRANT?**

The first limitation has already been discussed: *No costs can be covered by the grant unless they are directly related to the purposes established by Congress in the appropriations language for your grant.*

Government-wide requirements and Department of Education regulations also serve to limit the uses to which a Congressionally-directed grant can be put. The government-wide requirements are issued by the Office of Management and Budget (OMB) in documents called “circulars.” The Department of Education’s regulations governing these awards are contained in the Education Department General Administrative Regulations (EDGAR). The Department’s Grants Policy and Oversight Staff (GPOS) also publishes helpful documents called “bulletins.” The most relevant regulations, circulars and bulletins include:

- Office of Management and Budget:
  - OMB Circular A-21: This set of cost principles applies to educational institutions.
  - OMB Circular A-122: This set of cost principles applies to non-profit organizations.
  - OMB Circular A-87: This set of cost principles applies to state, local, and tribal governments.
  - OMB Circular A-133: This circular outlines OMB’s auditing requirements.
  - Federal Acquisition Regulation (FAR) or 48 CFR Part 31.2: This set of cost principles applies to for-profit institutions.

OMB Circulars can be accessed at:

<http://www.whitehouse.gov/OMB/circulars/index.html>

- Department of Education: The Education Department General Administrative Regulations (EDGAR) apply to all grants funded through the Department; they are cited below along with their location in the Code of Federal Regulations (CFR) and include:
  - 34 CFR Part 74 (Administration of Grants with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations);
  - 34 CFR Part 75 (Direct Grant Programs);
  - 34 CFR Part 76 (State-Administered Programs);

- 34 CFR Part 77 (Definitions That Apply to Department Regulations);
- 34 CFR Part 79 (Intergovernmental Review of Department of Education Programs and Activities);
- 34 CFR Part 80 (Uniform Administrative Requirements for Grants and Cooperative Agreements to States and Local Governments);
- 34 CFR Part 81 (General Education Provisions Act);
- 34 CFR Part 82 (New Restrictions on Lobbying);
- 34 CFR Part 85 (Governmentwide Debarment and Suspension and Governmentwide requirements for Drug-Free Workplace);
- 34 CFR Part 86 (Drug and Alcohol Abuse Prevention);
- 34 CFR Part 97 (Protection of Human Subjects);
- 34 CFR Part 98 (Student Rights in Research, Experimental Programs, and Testing); and
- 34 CFR Part 99 (Family Educational Rights and Privacy)

The EDGAR regulations and bulletins can be accessed at:

<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html> and  
<http://www.ed.gov/policy/fund/guid/gposbul/gposbul.html>

Without attempting to present an exhaustive list, the following sections identify some common restrictions:

- Acquisition of real property; construction (Part 75.533): Recipients of Congressionally-directed grants may not use any portion of their awards to purchase real property or for construction unless specified in the appropriations act language for your particular grant. However, in some cases, funds may be used for minor renovations.
- Use of funds for religion prohibited (Part 75.532)
- Entertainment costs (OMB Circular A-21): are not allowable.
- Fund raising (OMB Circular A-21) and Lobbying (Part 82.100): Costs of organized fund raising incurred to raise capital or obtain contributions are not allowable. In addition, no portion of a Congressionally-directed grant may be used to pay anyone for “influencing or attempting to influence” a member of Congress or the Executive Branch to award funds for this project or any other project. Note that this prohibition includes not only paid outside lobbyists but employees of the recipient institution. *Examples*: No project funds may be used for lobbyists’ fees or travel costs incurred in seeking this or a successor Congressionally-directed grant, or in other fund raising activities. A person whose salary is 100 percent supported by the Congressional award may not spend *any* time on lobbying activities or fund raising. A person whose salary is 75 percent supported by the Congressional award may spend the 25 percent

of their time not supported with Federal grant funds on lobbying activities or fund raising.

Other regulations prohibit the use of grant funds for alcohol, international travel (prohibited unless the appropriations language specifically notes an international emphasis to the award), and other various and sundry items. The regulations also explain how organizations will be required to account for their expenses under the grant award, and should be reviewed by all parties responsible for preparing the application and conducting grant activities.

*If in doubt about whether a particular expense can be covered by the grant, include it in your budget and offer reasons why that expense is needed for the successful accomplishment of the goals set by Congress for the award. A Department program officer will contact the project director if changes are necessary.*